

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-457-WS - ORDER NO. 2010-387

MAY 27, 2010

IN RE:	Application of Lakewood Utilities, LLC for)	ORDER APPROVING
	the Establishment of Service Area, Rates and)	SETTLEMENT
	Charges for the Provision of Water and)	AGREEMENT AND
	Sewer Services)	RATES AND CHARGES

This matter comes before the Public Service Commission of South Carolina (hereinafter the “Commission”) on the proposed Settlement Agreement (“Agreement”) filed by the Office of Regulatory Staff (“ORS”) and Lakewood Utilities, LLC (“Lakewood” or “the Company”) (together “Parties”).

This matter was initiated in December of 2009, when Lakewood filed with this Commission an Application for the establishment of service area, rates and charges for the provision of water and sewer service. See S.C. Code Ann. §58-5-210 (Supp. 2009). By its application, the Company sought approval of annual water and sewer revenues in two phases. In Phase One, the Company proposed a flat rate for water and sewer services and in Phase Two, the Company proposed a base rate and a usage rate for water and sewer services.

By letter dated December 7, 2009, the Commission’s Clerk’s Office instructed Lakewood to publish a prepared Notice of Filing, one time, in newspapers of general circulation in the area affected by Lakewood’s Application. The Notice of Filing

described the nature of the Application and advised all interested persons desiring to participate in the scheduled proceedings of the manner and time in which to file appropriate pleadings for inclusion as a party of record. In the same letter, the Commission also instructed Lakewood to notify directly, by U. S. Mail, each customer affected by the Application by mailing each customer a copy of the Notice of Filing. Lakewood furnished the Commission with an Affidavit of Publication demonstrating that the Notice of Filing had been duly published in a newspaper of general circulation in the area affected by Lakewood's application. The Company also provided the Commission with a letter in which Lakewood certified that it had complied with the instruction of the Commission's Clerk's Office to mail a copy of the Notice of Filing to all customers affected by the Application.

No Petitions to Intervene were filed in this case in response to the Notice of Filing. Pursuant to S.C. Code Ann. Section 58-4-10(B) (Supp. 2009), ORS is a party of record in this proceeding.

As a result of settlement negotiations between them, the Parties have determined that their interests are best served by settling the dispute in this matter under the terms and conditions set forth below. ORS stated in the Agreement that the settlement serves the public interest, preserves the financial integrity of the Company, and promotes economic development within the State of South Carolina. By signing the Settlement Agreement, all counsel acknowledged their respective clients' consent to its terms. The Settlement Agreement provided that the Parties viewed the terms of the Agreement to be just and reasonable.

S.C. Code Ann. § 58-3-140(A) (Supp. 2009) vests the Commission with the “power and jurisdiction to supervise and regulate the rates and service of every public utility in this State...” In carrying out these duties in relation to the Settlement Agreement, the Commission’s published “Settlement Policies and Procedures” (Revised 6/13/2006) are applicable to guide this proceeding. Specifically, Section II of the Settlement Policies and Procedures, titled “Consideration of Settlements,” states:

When a settlement is presented to the Commission, the Commission will prescribe procedures appropriate to the nature of the settlement for the Commission’s consideration of the settlement... [W]hen the settlement presents issues of significant implication for other utilities, customers, or the public interest, the Commission will convene an evidentiary hearing to consider the reasonableness of the settlement and whether acceptance of the settlement is just, fair, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy. Approval of such settlement shall be based upon substantial evidence in the record.

Because this case presented issues of significant implication for the utility and the public interest, a hearing has been held to consider the merits of this case, including the Settlement Agreement, and we now proceed to evaluate the record in this proceeding.

A public hearing was held before the Commission on April 15, 2010, at the Commission’s offices located at 101 Executive Center Drive, Columbia, South Carolina. Lakewood was represented by Frank J. Bryan, Esquire. ORS was represented by Nanette S. Edwards, Esquire. At this hearing, the parties offered into the record the Settlement Agreement dated April 1, 2010. The Parties further introduced into the record and stipulated to the prefiled testimony of Lakewood witness Melissa D. Gause, corporate manager for Lakewood Camping Resort, Inc. Mrs. Hannah Majewski, ORS Program

Specialist – Water/Wastewater Department, testified in support of the Settlement Agreement.

The Parties asserted before the Commission that the Settlement Agreement provides a schedule of proposed rates, terms, and conditions that are just and reasonable to both the Company and its customers and promotes conservation.

Lakewood provides water and sewer service to the Lakewood Camping Resort, Inc., in Horry County. There are 1,100 transient campsites and 700 annually leased sites. The campground has not charged a separate fee for water and sewer services, but instead has included such costs in the campsite rental and lease fees. The campground has operated for more than fifty (50) years. Lakewood currently provides adequate water supply services to its residential customers using deep-drilled wells.

In the Settlement Agreement, the Parties propose that the rates be implemented in two phases. Because installation of the meters is not complete, the Parties propose a flat rate of \$11.75 per month for water service and a rate of \$6.75 per month for wastewater. These rates would apply for Phase One, which would be implemented within 30 days after the effective date of the Commission order approving this Agreement. Transient sites would be subject to a fee of \$2.00 per day of occupancy for water service. Phase Two rates would be subject to a volume of use rate and would be implemented on the one-year anniversary date of the effective date of the Commission's order. The Phase Two base rate would be \$10.00 per month for water with a usage rate of \$1.75 per 1,000 gallons and a base rate of \$5.50 per month for wastewater with a usage rate of \$1.25 per

1,000 gallons of water used. Water tap fees of \$450.00 and wastewater tap fees of \$350.00 will be implemented in Phase Two.

ORS witness Mrs. Majewski testified that the proposed rate schedule would result in the ability to earn total revenue of \$302,800 for Phase One and \$292,160 for Phase Two, with operating margins of 4.6% in Phase One and 1.13% in Phase Two. She also testified that Lakewood is in compliance with DHEC regulations. Mrs. Majewski testified that Lakewood would be a NARUC Class C water and wastewater utility according to the pro forma revenue information.

Company witness Mrs. Gause explained that the reason the campground decided to create Lakewood and seek Commission approval to charge for water and wastewater services is due to conservation concerns. By establishing a separate fee, the campground believes its customers will be more conscious of their use of water resources. Additionally, the campground is installing meters such that Lakewood will be able to assess a usage-sensitive rate. Mrs. Gause explained that while the operating margins may be low, the campground is not seeking to earn significant profits from the provision of water and wastewater services but is seeking to recover its costs of providing those services to its customers.

We find that the rates agreed to by the parties, which are specified in the Settlement Agreement, which is hereby adopted and attached to this Order as Appendix A, are just and reasonable and allow Lakewood to provide its customers with adequate water and wastewater service.

The Settlement Agreement provides a schedule of proposed rates, terms, and conditions that are just and reasonable. The parties therefore agreed and stipulated to certain rates and charges and terms and conditions which we hereby approve and are set forth in the attached Appendix B. We agree, and hereby find, that the rates and charges and terms and conditions contained in the Settlement Agreement are just and reasonable.

After review and consideration by this Commission of the Settlement Agreement, the evidence contained in the record of this case and the testimony of the witnesses, the Commission concludes as a matter of law that the Settlement Agreement results in just and reasonable rates and fees for water and sewer service.

Based on the operating revenues, income, and expenses agreed upon by the parties, the resulting allowable operating margin for the Company is 4.6% in Phase One and 1.13% in Phase Two. See S.C. Code Ann. § 58-5-240(H).

IT IS THEREFORE ORDERED THAT:

1. The Settlement Agreement is attached hereto as Appendix A and is incorporated into and made a part of this Order by reference.
2. The proposed rates contained in the Settlement Agreement (Exhibit One) have been entered into the record of this case without objection. We find that the schedule of rates and charges and terms and conditions attached hereto as Appendix B is both just and reasonable and will allow the Company to provide its customers with adequate water and wastewater services.
3. The schedule of rates and charges attached hereto as Appendix B is approved for service rendered thirty days after the issuance of this Order.

4. Operating margins of 4.6% in Phase One and 1.13% in Phase Two are approved for Lakewood.

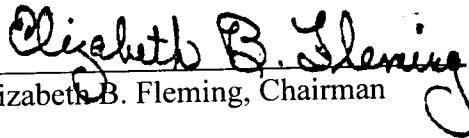
5. Lakewood shall file all necessary documents, reports and other instruments as required by applicable South Carolina statutes and regulations for the operation of the water and wastewater system servicing the Lakewood Camping Resort.

6. Lakewood shall be a NARUC Class C water and wastewater utility and shall keep its books and records according to the NARUC Uniform System of Accounts as required by the Commission's rules and regulations.

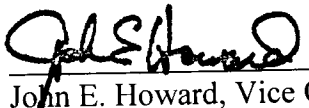
7. Lakewood shall file with the Commission and provide a copy to ORS a bond that satisfies the criteria as set forth in S.C. Code Ann. § 58-5-720 (Supp. 2009). The amount of Lakewood's performance bond for water and wastewater service is \$100,000 for each service, for a total combined amount of \$200,000 for water and wastewater services.

8. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Elizabeth B. Fleming, Chairman

ATTEST:


John E. Howard, Vice Chairman
(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2009-457-W/S

IN RE: Application of Lakewood Utilities,)
LLC for the Establishment of)
Service Area, Rates and Charges for)
The Provision of Water and Sewer)
Services)

SETTLEMENT AGREEMENT

This Settlement Agreement is made by and between Lakewood Utilities, LLC ("Lakewood") and the South Carolina Office of Regulatory Staff ("ORS"), (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, on December 2, 2009, Lakewood filed with the Public Service Commission of South Carolina ("Commission") an Application for the Establishment of Service Area, Rates and Charges for the Provision of Water and Sewer Services;

WHEREAS, the above-captioned proceeding has been established by the Commission pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2009) and 26 S.C. Code Ann. Regs. 103-512.4.B and 103-712.4.B (2009);

WHEREAS, Lakewood provides water and sewer service to the Lakewood Camping Resort, Inc., in Horry County, and there are 1,100 transient campsites and 700 annually leased sites;

WHEREAS, ORS has examined the books and records of the Company relative to the matters raised in the Application;

WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-captioned docket and there are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have engaged in discussions, to determine whether a settlement of this proceeding would be in their best interests and in the public interest;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order on the merits of this proceeding, will result in rates and terms and conditions of water service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to obtain a reasonable operating margin.

1. The Parties stipulate and agree that rates for this system should be implemented in two Phases. The Parties agree that this system has no meters and that a flat rate of \$11.75 per month for water service and wastewater rate of \$6.75 per month is a just and reasonable rate. These rates would apply for Phase One which would be implemented within 30 days after the effective date of the Commission order approving this Agreement. Transient sites would subject to a fee of \$2.00 per day of occupancy for water service. Phase Two rates would be subject to a volume of use rate and would be implemented on the one-year anniversary date of the effective date of the Commission's order. The Phase Two base rate would be \$10.00 per month for water with a usage rate of \$1.75 per 1,000 gallons and a base rate of \$5.50 per month for wastewater with a usage rate of \$1.25 per 1,000 gallons of water used. Water tap fees of \$450.00 and wastewater tap fees of \$350.00 will be implemented in Phase Two.

2. The Parties stipulate and agree that the rates contained in the rate schedule attached as Exhibit One to this Settlement Agreement are reasonably designed to allow the Company to provide service to its water and sewer customers at rates and terms and conditions of service that are fair, just and reasonable and provides the opportunity to recover the revenue required to earn a fair operating margin.
3. The Parties agree that the ORS shall have access to all of the books and records of this system and shall perform an audit of these books.
4. Lakewood agrees to keep its books and records according to the NARUC Uniform System of Accounts as required by the Commission's rules and regulations. Lakewood also understands and agrees that the South Carolina Department of Health and Environmental Control ("DHEC") Safe Drinking Water Fee may only be collected and used to pay DHEC.
5. Lakewood agrees to file all necessary documents, bonds, reports and other instruments as required by applicable South Carolina statutes and regulations for the operation of the water and wastewater system servicing the Lakewood Camping Resort.
6. Lakewood agrees that this system is a "public utility" subject to the jurisdiction of the Commission as provided in S.C. Code Ann. §58-5-10(4) (Supp. 2009) and that Lakewood is therefore required to meet the bond requirements for the operation of the system as set forth in S.C. Code Ann. §58-5-720 (Supp. 2009).
7. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support

any Commission Order issued approving this Settlement Agreement and the terms and conditions contained herein.

8. The Parties agree to stipulate into the record the pre-filed direct testimony of Melissa D. Gause on behalf of Lakewood and the settlement testimony of Hannah Majewski on behalf of ORS in support of this Settlement Agreement.

9. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

- ... 'public interest' means a balancing of the following:
- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
 - (2) economic development and job attraction and retention in South Carolina; and
 - (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

10. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future Commission proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

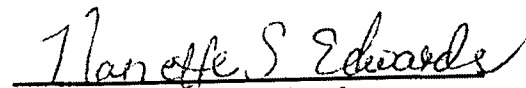
11. This Settlement Agreement shall be interpreted according to South Carolina law.

12. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

[SIGNATURE PAGES TO FOLLOW]

WE AGREE:

Representing and binding the Office of Regulatory Staff

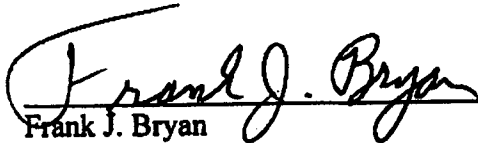


DATE: March 24, 2010

Nanette S. Edwards, Esquire
1401 Main Street, Suite 900
Columbia SC, 29201
Phone: (803) 737-0575
Fax: (803) 737-0895
Email: nsedwar@regstaff.sc.gov

WE AGREE:

Representing and binding Lakewood Utilities, LLC

A handwritten signature in black ink, reading "Frank J. Bryan". The signature is written in a cursive style with a large, looping "F" and "B".

Frank J. Bryan

15 Hwy 17 South (29575)

P.O. Drawer 14607

Surfside Beach, SC 29587-4607

(843)238-5141 ext. 18

(843)238-9060 (fax)

e-mail - fbryan@floydllaw.com

DATE: March 23, 2010

APPENDIX A

Docket No. 2009-457-WS

Order No. 2010-387

May 27, 2010

Page 8 of 8

This Page Intentionally Left Blank

1. Lakewood Utilities, LLC proposes to implement rates and charges for water and sewer service in two phases. Phase One would be a Flat Rate for all water and sewer consumption. Phase One would be implemented 30 days after the issuance of a Commission Order. Phase Two would be a Base Rate plus Volume Rate for all water and sewer consumption. Phase Two would be implemented 1 year after the issuance of a Commission Order.

		WATER	SEWER
2.	Phase One Rates: Flat Rate Annual Leases Transient Sites: \$2.00 per site, per day of occupancy	\$11.75	\$6.75
3.	Phase Two Rates: Base Rate plus Volume Rate	WATER	SEWER
	Base Rate	\$10.00	\$5.50
	Volume Rate per 1000 gallons	\$1.75	\$1.25

4. A Reconnection Fee of \$35.00 shall be due prior to reconnecting water service which has been disconnected for any reason as set forth in Code of Regulation R.103-732.5.

5. Any customer may request that service to their site be temporarily disconnected, provided however, that the Customer will be charged the Base Rate in addition to the Reconnection fee if service is reconnected within 1 year.

6. Recurring charges will be billed monthly in arrears.

7. Any unpaid balance within 25 days of the billing date shall be past due. Past due accounts shall be assessed a late payment charged of one and on-half percent (1.5%) per month, or any part of a month, that said payment is past due.

8. A notification fee of \$5.00 shall be charged to each customer to whom the Utility must mail notice to as required by the Commission.

9. Water Tap-in Fees will only apply in Phase Two. Tap-in fees will be \$450.00 to cover the cost of labor and materials.

10. Sewer Tap-in fees will only apply in Phase Two. Tap-in fees will be \$350.00 to cover the cost of labor and materials.

11. Backflow Prevention installation Fees will be \$300.00 to cover the cost of labor and materials.

12. Lakewood Utilities, LLC shall give the Commission thirty days notice of its intent to pass-through to customers treatment charges which are higher than those in effect at the time of the Commission's approval of the within rate schedule. Lakewood Utilities, LLC shall provide with such notice written documentation of an increase by the provider of treatment services justifying the increase in the amount of treatment charges sought to be passed-through to effected customers. In the event that an increase in the amount of treatment charges to be passed-through to customers is found by the Commission to be so justified, Lakewood Utilities, LLC will then be required to give customers advance notice before the increase in the treatment charges to be passed-through may be put into effect.